



COUNCIL MINUTES

March 20, 2008

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 20, 2008 at 7:32 a.m.

COUNCIL PRESENT

Vice Mayor Claudia Walters
Kyle Jones
Tom Rawles
Scott Somers
Mike Whalen

COUNCIL ABSENT

Mayor Keno Hawker
Darrell Truitt

OFFICERS PRESENT

Christopher Brady
Linda Crocker

Vice Mayor Walters excused Mayor Hawker and Councilmember Truitt from the entire meeting.

1. Hear a presentation, discuss and provide feedback on the 2008 Major General Plan Amendment applications.

Planning Director John Wesley addressed the Council and noted that the Council had some questions and suggestions after hearing a presentation on the 2008 Major General Plan Amendments in February. He said that the applicants were present to provide updated information in advance of the final submittal deadline, which is March 28, 2008.

Grady Gammage of Gammage and Burnham, representing the DMB application (Case GPMajor08-01), came forward to provide an update on this case. He noted that the new Planned Community District (PCD) zoning document includes the general development standards, but the document does not reflect many of the specific lines detailed on the existing General Plan. Mr. Gammage explained that the 3,000 acres are divided into development units and that over time, each planning unit would become more specific in accordance with the standards outlined in the PCD document.

Vice Mayor Walters thanked Mr. Gammage for the update, and she added that the concerns expressed by the Council in February were in regard to the possible granting of property rights in the area of the airport and the consequences that could result following the passage of Proposition 207.

Susan Demitt of Beus Gilbert, representing the Levine application (Case GPMajor08-02), advised that certain modifications are being made, as requested by the Planning Department. She said that the application requests a mixed-use community designation over the entire property and that the revised submittal would provide a detailed land use plan as a concept exhibit and include land use category descriptions.

Vice Mayor Walters thanked Ms. Demitt for presenting the information.

Mr. Wesley provided an overview of the process for Plan Amendments. He advised that public notice would be provided to various groups and agencies in the area to request their input and initiate the 60-day review process. Mr. Wesley said that the public hearings before the Planning and Zoning Board would be scheduled in July and August, and he added that September would be the earliest date that the cases could be presented to the Council.

Vice Mayor Walters thanked Mr. Wesley for the update.

2. Hear a presentation, discuss and provide direction on budget issues, including but not limited to:

Vice Mayor Walters invited Councilmembers-Elect Kavanaugh and Richins to join the Council and participate in the budget discussions. She also acknowledged that Mayoral candidates Scott Smith and Rex Griswold were present in the audience. Vice Mayor Walters explained that the incoming Mayor and Councilmembers would be voting on the final budget shortly after taking office.

a. Financial Forecast

City Manager Christopher Brady noted that staff is providing an update to reports made to the Council in September and December of last year regarding the economic downturn and the projected budget shortfall. He stated that a list of proposed reductions and revenue enhancements (a copy is available for review in the City Clerk's Office) is being provided to the Council for review. Mr. Brady advised that staff is not seeking Council action at this time, and he added that although the Mayor was unable to be present at this meeting, the Mayor has been fully briefed on the status of the budget.

Vice Mayor Walters noted that when a budget shortfall was identified in September of last year, staff took immediate action to freeze certain expenditures and to leave some positions unfilled. She added that the City of Mesa is subject to the same declining economic conditions as the State and Federal governments. Vice Mayor Walters clarified that this discussion is related to only the General Fund portion of the budget, which represents \$328 million of the total \$1.2 billion.

b. 2007/2008 Budget Status

Budget Director Chuck Odom said that the following documents would be available on the City's website: Mr. Brady's March 20, 2008 memorandum to the Mayor, Council and Council-Elect and the list of "Reductions in Services Supported by General Funds."

Mr. Odom displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to provide the update and identify the difference between the General Fund, which are the dollar amounts controlled by the Council, and all other funds that comprise the City's budget. He referred to the chart that listed General Fund Revenues (see Attachment 1) and noted that the estimate of revenues for the current year indicates a decrease of approximately \$16 million.

In response to a question from Councilmember Rawles, Mr. Brady explained that a certain amount of sales tax revenue is utilized for debt service and the City's ending fund balance.

Mr. Odom noted that revenue projections continue to fall as the economy declines. He addressed the major revenue categories for the 2008/09 budget, and he advised that significant decreases are expected in City sales tax, State sales tax, and vehicle license tax revenues. Mr. Odom explained that a two-year time lag exists for "Urban Revenue Sharing," which delays the impact of the economic downturn for two years unless the State changes the formula. He said that econometric modeling indicates that a slight improvement in the economy may occur in FY 2009/10.

Vice Mayor Walters expressed concern regarding a footnote that states, "The Quality of Life Fund will be combined with the General Fund Starting 7/1/2008, except for the Mesa Arts Center." She noted that the voters were told that these funds would be tracked and identified for each particular area.

Mr. Brady explained that the capability would remain to identify which firefighter or police officer position was funded by the Quality of Life revenue, but he noted that a separate tracking system has become very difficult to maintain. He confirmed that the Mesa Arts Center funding would continue to be separate. Mr. Brady stated the opinion that the accountability would continue to be present.

Discussion ensued relative to the fact that the weakness in the economy was detected in November; that a General Fund sales tax growth projection of approximately five percent was considered conservative at the time; that revenues are approximately ten percent below budgeted amounts; and that the last time the City experienced a significant economic downturn was following the events of September 11, 2001.

Mr. Odom continued the PowerPoint presentation by noting that Building Safety has addressed the decline in permit revenues; that court fine revenues are expected to continue to increase; and that lower State Shared Revenues and Highway User Revenue Fund revenues in the next two years might show improvement by 2012. He noted that the City established a goal to maintain an unrestricted ending fund balance of eight to ten percent.

Mr. Odom advised that a wage market study for Police Department personnel indicates that the City of Mesa ranks fifth or sixth for several positions compared to other Valley cities. He displayed a chart (see Attachment 2) that identified the positions targeted for an increase, in addition to a three percent Cost of Living Adjustment (COLA) in January 2009.

Responding to concerns expressed by Vice Mayor Walters regarding the Public Safety salary competition among Valley cities, Mr. Brady advised that he and other City Managers have discussed the issue. He noted that the cities attempting to maintain the highest salaries are beginning to recognize the pressure this action places on salary structures throughout the Valley. Mr. Brady added that no solution is available today, and he said that these salary adjustments would enable the City to remain competitive.

Vice Mayor Walters suggested that a job analysis could determine the appropriate salary for each position. She noted that salary adjustments also increase the City's contribution for retirement benefits.

Councilmember Somers noted that there is an increasing demand for police officers from a shrinking pool of applicants. He stated the opinion that the impact of competition between cities regarding salaries was not significant because trained officers also have employment options with Federal and State agencies and the private sector. Councilmember Somers stated the opinion that the salary increases are market driven and that the City of Mesa must remain competitive in order to recruit and retain officers.

Councilmember Whalen noted that both Phoenix and Glendale have a two percent sales tax dedicated to Public Safety, and he stated the opinion that the citizens of Mesa would support a similar approach.

Mr. Odom reported that increased Police and Fire Retirement System contributions and the Police Department's market wage adjustments total \$9,730,000. He advised that staff proposes to transfer \$7 million from the Enterprise Fund to offset this expense.

Mr. Brady explained that including the proposed \$7 million transfer to the General Fund, the amount transferred from the Enterprise Fund in 2008/09 would be less than in the current year. He added that the original projection for the current year was to decrease the transfer to the General Fund by \$11 million. Mr. Brady recommended that because of the economic downturn and the increases in Public Safety expenses, the Enterprise Fund transfer to the General Fund should be \$4 million rather than the original projection of \$11 million. He noted that the alternative would be to eliminate programs, and he stated that restoring eliminated programs could require as long as ten years.

Responding to a question from Councilmember Somers, Mr. Brady advised that the \$7 million transfer would be from the Enterprise contingency funds and would not negatively affect Utility capital expenditures or operations. He added that this action would not increase utility rates above the increases already scheduled.

Deputy City Manager Bryan Raines responded to questions from Councilmember Somers by advising that the Public Safety Personnel Retirement System (PSPRS) is addressing the availability of certain investment options with the State Legislature that could improve their rate of return. He stated that PSPRS is not fully funded at the present time, and he noted that each City is actuarially adjusted on an individual basis.

Mr. Odom said that the increase in PSPRS contributions came as a surprise to all of the cities, and he added that ongoing discussions are addressing the manner in which the impact of future rate increases could be mitigated.

Responding to a question from Councilmember-Elect Kavanaugh, Mr. Odom advised that if a secondary property tax was levied on existing bond debt this year, funds could not be collected until the following year.

Mr. Brady advised that the bond debt to be paid out of the General Fund in 2007/08 and 2008/09 totals approximately \$50 million. He noted that although the City's General Obligation (G.O.) debt of \$256.3 million is a modest amount, approximately half of that amount is scheduled to be paid out of the General Fund in the next five years. Mr. Brady added that these payments coincide with an estimated \$16 to \$18 million reduction in annual sales tax revenues. He quoted a comment made by Councilmember Rawles, who said that "this is the very basics of

municipal finance, that a secondary property tax pays for future capital.” Mr. Brady stated the opinion that the City should not issue future debt without a secondary property tax.

c. 2008/2009 Budget Recommendations

Mr. Odom reviewed the “Proposed Solutions” (see Attachment 3).

Deputy City Manager Kari Kent advised that eleven of the 44 Building Safety positions to be eliminated were vacant. She reported that to date eleven of the 33 affected employees have been placed in other positions within the City and five employees have obtained employment elsewhere. Ms. Kent said that staff continues to provide assistance to the remaining employees.

Mr. Brady responded to a question from Councilmember Somers by advising that Building Safety is an enterprise operation funded by permit fees. He said that staff identified 44 positions to be eliminated and then Human Resources implemented a process that attempts to match the qualifications of the Building Safety employees to other vacant positions in the City.

In response to a concern expressed by Councilmember Jones, Mr. Brady advised that six Fire Inspector positions are being eliminated because the revenues generated are not sufficient at the present time to fund the positions.

Responding to questions from Councilmember-Elect Richins, Mr. Brady confirmed that placing Building Safety employees in other positions enables the City to retain their expertise within the organization. He also noted that the City is cooperating with the City of Tempe to utilize some of these individuals because Tempe anticipates a need in this area for approximately one year. Mr. Brady added that some employees could be utilized on a contractual basis in the event a large project is received. He said that if the economy continues to decline, the next area to be cut would be programs.

Councilmember Whalen stated that he would like additional information on the Police Department’s plans to reduce overtime and the Transitional Response Vehicle (TRV) Pilot Program.

Mr. Brady confirmed that the purpose of this presentation is to provide an overview of staff’s efforts to address the budget shortfall, and he stated that individual departments would be coming forward at future Study Sessions to present detailed plans.

Mr. Odom identified other issues for consideration related to the budget:

- Increasing prices for vehicle fuel.

In response to a question from Vice Mayor Walters, Mr. Brady advised that most of the City’s fuel consumption relates to Fire, Police and Solid Waste vehicles. He noted that efforts are being made to maintain the fleet at a higher level in order to maximize fuel efficiency.

- Possible changes in the State Revenue Sharing Formula.
- Fluctuation in the economy will require continual vigilance in budget monitoring.

Further discussion ensued relative to the fact that additional budget cuts may be necessary; that the economy may continue to decline; and that a recession cycle typically lasts for eighteen months.

Mr. Odom presented the timeline in which the 2008/09 Budget would be addressed.

Mr. Brady directed his comments to the Councilmembers Elect and advised that the tentative budget would be adopted by the current Council on June 2, 2008. He noted that the incoming Council would adopt the final budget on June 23, 2008, the amount of which can be less than the tentative budget but cannot exceed the tentative budget.

Vice Mayor Walters thanked staff for the presentation.

3. Acknowledge receipt of minutes of various boards and committees:

- a. General and Economic Development Committee meeting held on February 7, 2008
- b. Parks and Recreation Board meeting held on February 14, 2008

It was moved by Councilmember Rawles, seconded by Councilmember Jones, that receipt of the above-referenced minutes be acknowledged.

Vice Mayor Walters declared the motion carried unanimously by those present.

4. Hear reports on meetings and/or conferences attended.

Vice Mayor Walters: Ribbon cutting ceremony for Comerica Bank at Riverview.

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

March 20, 2008, 8:00 a.m. – General and Economic Development Committee

March 27, 2008, 7:30 a.m. – Study Session

March 27, 2008, 8:00 a.m. – Audit and Finance Committee

6. Items from citizens present.

There were no items from citizens present.

7. Adjournment.

Without objection, the Study Session adjourned at 9:10 a.m.

KENO HAWKER, MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 20th day of March 2008. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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Attachments (3)